



**Legal Office**

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October 27, 2008

**OVERNIGHT MAIL**

Brocade Communications Systems, Inc.  
1745 Technology Drive  
San Jose, CA 95110  
Attn: Tyler Wall, Corporate Secretary

Re: Notice of Shareowner Proposal

Dear Mr. Wall:

The purpose of this letter is to submit our shareowner proposal for inclusion in the proxy materials in connection with the company's next annual meeting pursuant to SEC Rule 14a-8.<sup>1</sup>

Our submission of this proposal does not indicate that CalPERS is closed to further communication and negotiation. Although we must file now, in order to comply with the timing requirements of Rule 14a-8, we remain open to the possibility of withdrawing this proposal if and when we become assured that our concerns with the company are addressed. Please alert me immediately if any further information is required in order for this proposal to be included in the Company's proxy and properly heard at the 2009 annual meeting.

If you have any questions concerning this proposal, please contact me.

Very truly yours,

 PETER H. MIXON  
General Counsel

Enclosures

<sup>1</sup> CalPERS, whose official address is P.O. Box 942707, Sacramento, California 94229-2708, is the owner of approximately 1,000,000 shares of the company. CalPERS has owned shares with a market value in excess of \$2,000 continuously for at least the preceding year. (Documentary evidence of such ownership is enclosed.) Furthermore, CalPERS intends to continue to own such a block of stock at least through the date of the annual shareholders' meeting.

cc: Bill McGrew, Portfolio Manager – CalPERS  
Michael Klayko, CEO – Brocade Communications Systems, Inc.  
David House, Chairman – Brocade Communications Systems, Inc.

### **SHAREOWNER PROPOSAL**

RESOLVED, that the shareowners of Brocade Communications Systems, Inc. ("Company") urge the Company to take all steps necessary, in compliance with applicable law, to delete the supermajority voting requirements in its certificate of incorporation and bylaws.

### **SUPPORTING STATEMENT**

Is accountability by the Board of Directors important to you as a shareowner of the Company? As a trust fund with more than 1.5 million participants, and as the owner of approximately 1,000,000 shares of the Company's common stock, the California Public Employees' Retirement System (CalPERS) thinks accountability is of paramount importance. This is why we are sponsoring this proposal which, if passed and implemented, would make the Company more accountable to shareowners by, for example, removing supermajority voting requirements that make it very difficult to declassify the Company's board of directors.

As it currently stands, the affirmative vote of two-thirds of the outstanding shares of the Company are required for shareowners to approve an amendment to the Certificate of Incorporation to declassify the Company's board of directors. When you consider abstentions and broker non-votes, such a supermajority vote can be almost impossible to obtain. For example, a proposal to declassify the board of directors filed at Goodyear Tire & Rubber Company failed to pass even though approximately 90% of votes cast were in favor of the proposal.

At the Company itself, a proposal substantially equivalent to this one has never been implemented even though 90.56% of votes cast were in favor of the proposal! While it is often stated by corporations that the purpose of supermajority requirements is to provide corporations the ability to protect minority shareowners, supermajority requirements are most often used, in CalPERS' opinion, to block initiatives opposed by management and the board of directors but supported by most shareowners. This Company's response to the 90% vote is a perfect illustration.

In opposing the CalPERS supermajority proposal referred to above, the Company's Board of Directors stated that the supermajority provisions "ensure that fundamental changes of this nature can only be made when a broad consensus of stockholders agrees that a change is prudent." Apparently, "broad consensus" is more than 90.56% of the votes, if the Company's Board of Directors views an issue differently than its shareowners.

CalPERS believes that corporate governance procedures and practices, and the level of accountability they impose, are closely related to financial performance. Limiting the ability of shareowners to amend the bylaws has been found to be one of six entrenching mechanisms that are negatively correlated with company performance. See "What Matters in Corporate Governance?" Lucian Bebchuk, Alma Cohen & Allen Ferrell, Harvard Law School, Discussion Paper No. 491 (09/2004, revised 03/2005). If the Company were to remove its supermajority vote requirements, it would be a strong statement that the

Company is committed to good corporate governance and its long-term financial performance.

We urge your support FOR this proposal.



STATE STREET

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October 27, 2008

To Whom It May Concern:

State Street Bank and Trust, as custodian for the California Public Employees' Retirement System, declares the following under penalty of perjury:

- 1) State Street Bank and Trust performs master custodial services for the California State Public Employees' Retirement System.
- 2) As of the date of this declaration and continuously for at least the immediately preceding eighteen months, California Public Employees' Retirement System is and has been the beneficial owner of shares of common stock of Brocade Communications Systems, Inc., having a market value in excess of \$1,000,000.
- 3) Such shares beneficially owned by the California Public Employees' Retirement System are custodied by State Street Bank and Trust through the electronic book-entry services of the Depository Trust Company (DTC). State Street is a participant (Participant Number 0997) of DTC and shares registered under participant 0997 in the street name of Surfboard & Co. are beneficially owned by the California Public Employees' Retirement System.

Signed this 27th day of October, 2008 at Sacramento, California.

STATE STREET BANK AND TRUST  
As custodian for the California Public Employees'  
Retirement System.

By: \_\_\_\_\_

Name: Sauncerae Gans  
Title: Client Relationship Officer